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EXPANDED

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Ex Parte

February 9, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Mail Stop Code 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: CC Docket No. 95-116

On February 5, 1998, David Brown and the undersigned representing SBC met with Jim Casserly representing Commissioner Ness to discuss issues in the above referenced docket. The discussion focused on Long Term Number Portability cost recovery scenarios and Operational Support System cost recovery. The SBC representatives advocated total LNP cost recovery in the Federal jurisdiction per tariffs currently pending before the Commission filed on behalf of Southwestern Bell Telephone and Pacific Bell. In the alternative, the SBC representatives acknowledged support for a cost recovery plan that recovers the total costs of Long Term Number Portability in the Federal jurisdiction on a phased basis. The SBC representatives also presented a "test scenario" to determine if a particular Operational Support System cost is a Type II cost or a Type III cost. The attached documents served as the basis for the discussion.

Please include this letter and the attachments in the record of these proceedings in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Acknowledgment and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached concerning this matter.

Respectfully submitted,

Attachments

cc: Kevin Martin

I/Link Brown/0203expctr

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Ex Parte

February 4, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Mail Stop Code 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: CC Docket No. 95-116

On February 3, 1998, David Brown and the undersigned representing SBC met with Kyle Dixon representing Commissioner Powell to discuss issues in the above referenced docket. The discussion focused on Long Term Number Portability cost recovery scenarios and Operational Support System cost recovery. The SBC representatives advocated total LNP cost recovery in the Federal jurisdiction per tariffs currently pending before the Commission filed on behalf of Southwestern Bell Telephone and Pacific Bell. In the alternative, the SBC representatives acknowledged support for a cost recovery plan that recovers the total costs of Long Term Number Portability in the Federal jurisdiction on a phased basis. The SBC representatives also presented a "test scenario" to determine if a particular Operational Support System cost is a Type II cost or a Type III cost. The attached documents served as the basis for the discussion.

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Link Brown".

Attachments

cc: Kyle Dixon

I/Link Brown/0203expcp

SAME ATTACHMENT TO
EACH OF THE FOLLOWING LETTERS
AS IN.



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Washington, D.C. 20554

RE: CC Docket No. 95-116

On February 3, 1998, David Brown and the undersigned representing SBC met with Kevin Martin representing Commissioner Furchtgott-Roth to discuss issues in the above referenced docket. The discussion focused on Long Term Number Portability cost recovery scenarios and Operational Support System cost recovery. The SBC representatives advocated total LNP cost recovery in the Federal jurisdiction per tariffs currently pending before the Commission filed on behalf of Southwestern Bell Telephone and Pacific Bell. In the alternative, the SBC representatives acknowledged support for a cost recovery plan that recovers the total costs of Long Term Number Portability in the Federal jurisdiction on a phased basis. The SBC representatives also presented a "test scenario" to determine if a particular Operational Support System cost is a Type II cost or a Type III cost. The attached documents served as the basis for the discussion.

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RE: CC Docket No. 95-116

On February 3, 1998, David Brown and the undersigned representing SBC met with Paul Gallant representing Commissioner Tristani to discuss issues in the above referenced docket. The discussion focused on Long Term Number Portability cost recovery scenarios and Operational Support System cost recovery. The SBC representatives advocated total LNP cost recovery in the Federal jurisdiction per tariffs currently pending before the Commission filed on behalf of Southwestern Bell Telephone and Pacific Bell. In the alternative, the SBC representatives acknowledged support for a cost recovery plan that recovers the total costs of Long Term Number Portability in the Federal jurisdiction on a phased basis. The SBC representatives also presented a "test scenario" to determine if a particular Operational Support System cost is a Type II cost or a Type III cost. The attached documents served as the basis for the discussion.

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Attachments

cc: Paul Gallant

SBC LNP COST RECOVERY

- End User Charges
 - Currently proposed at \$0.62 for SWBT and \$0.57 for Pacific Bell
 - Applying end user charges to all customers (multi-line business, single-line business and residence) at the same time results in a 5 year recovery period
 - SBC's first choice for end user charges would be to apply to all customers at the same time amortized over a 5 year period
 - If the Commission were to elect a phased in approach, SBC's preferred method would be:
 - Application to business customers initially in Phase I through V MSA's and selected end offices
 - Application to residence customers in Phase I through V MSA's and selected end offices when 3% of access lines in the MSA or end office are served by alternate providers via facility based, resale, or UNE's
 - Application to residence customers throughout the region on 1-1-2000
 - All costs amortized over a 5 year period

SBC OSS COST RECOVERY

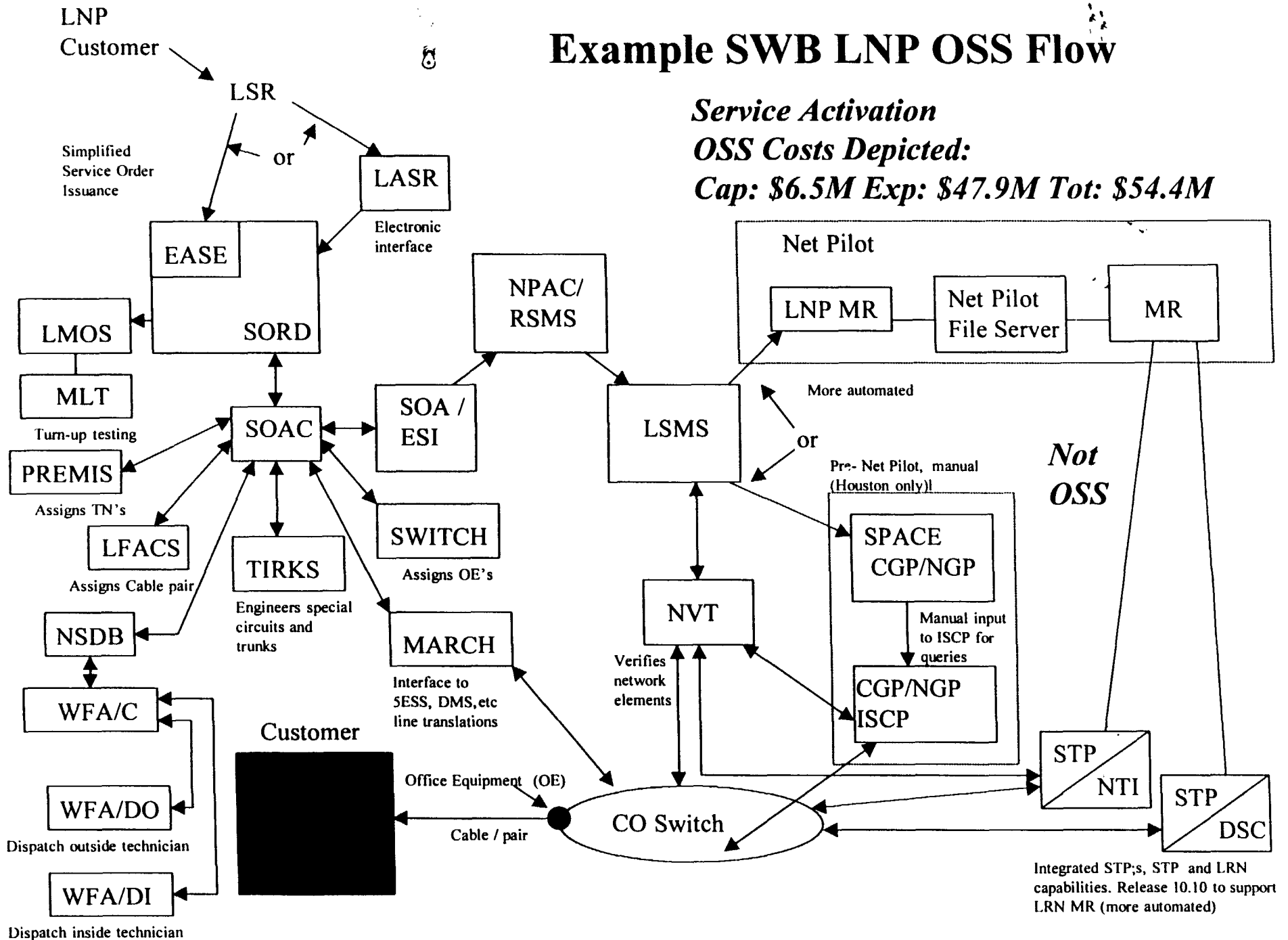
- Over 120 interconnected and inter-operating systems
- Expenditures would never have occurred absent LNP requirement
- OSS interoperability would be compromised absent OSS LNP modifications
- Total cost = \$83.7M (SWBT only)
 - \$65.9M in Expense
 - \$17.8M in Capital
- Limiting OSS cost recovery to only the new systems required for number portability will:
 - Produce a \$29M recovery shortfall
 - Reduce potential end user charges by only \$.04
 - Require recovery to become implicit in other rates creating an additional subsidy
- The test to determine if an OSS cost is a Type II cost should be on a “If Not for LNP” basis

Example SWB LNP OSS Flow

Service Activation

OSS Costs Depicted:

Cap: \$6.5M Exp: \$47.9M Tot: \$54.4M



Total OSS Costs

• Category	Expense	Capital	Total
• Billing	\$1.6M	\$1.1M	\$2.7M
• Decision Spt.	.5	na	.5
• Inst. & Mtce	.9	.6	1.5
• Misc.	.09	na	.09
• Operator Svcs.	.8	na	.8
• Provisioning	2.6	.1	2.7
• Negotiation	.1	na	.1
• Testing and Surv.	3.3	6.3	9.6
• Traffic Mgmt.	8.1	3.2	11.3
• <u>Sub- Total</u>	<u>\$18.0M</u>	<u>\$11.3M</u>	<u>\$29.3M</u>
• <i>Service Activation</i>	47.9	6.5	54.4
• <u>TOTAL</u>	<u>\$65.9M</u>	<u>\$17.8M</u>	<u>\$83.7M</u>

Conclusion

- Disallowing \$29.3M of OSS costs reduces TOTAL Type I and II costs of \$364.7M by 8%.
- 85% of 8% = 6.8% reduction in end user recoverable costs
- $100\% - 6.8\% = 93.2\%$
- $\$.62$ (current end-user charge) $\times 93.2\% = \$0.58$ (new end user charge)
- \$0.04 Total Reduction